

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 PA-01 IO-13
/088 W

-----005544 271211Z /50

R 270749Z MAY 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 1084
INFO AMEMBASSY ABU DHABI
AMEMBASSY BERLIN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY LONDON

C O N F I D E N T I A L KUWAIT 3175

E.O. 11652: GDS
TAGS: EFIN
SUBJECT: FIRST ALL-ARAB SYNDICATED CREDIT TO EAST GERMANY

1. AS BRIEFLY REPORTED IN THE MAY 15 ISSUE OF MIDDLE EAST
ECONOMIC SURVEY (MEES), THE KUWAIT INTERNATIONAL INVESTMENT
COMPANY (KIIC), KUWAIT'S LARGEST PRIVATE INVESTMENT HOUSE,
HAS ARRANGED A \$22 MILLION LOAN FOR THE EAST GERMAN STATE
TRADING ORGANIZATION.

2. COMMENTING ON THIS LOAN, KIIC'S SYNDICATION MANAGER TOLD
ECON CHIEF THAT THE EAST GERMANS HAD INSISTED THAT PARTICIPA-
TION IN IT BE ALL-ARAB TO SEPARATE THE LOAN FROM THE LONDON
MONEY MARKET. EAST GERMANS ARE PAYING 15/16THS OF A PER
CENTAGE POINT OVER THE LONDON INTERBANK RATE (LIBOR) FOR TWO
YEAR LOAN. KUWAITI AND OTHER ARAB PARTICIPANTS IN SYNDICA-
TION FOUND TERMS SO ATTRACTIVE THAT AMOUNT OF LOAN INCREASED
FROM \$18 TO \$22 MILLION, MANAGER SAID. HE COMMENTED THAT EAST
GERMANS WERE DELUDING THEMSELVES IF THEY THOUGHT
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THAT TERMS OF THIS LOAN (WHICH HE FELT WERE VERY ADVAN-
TAGEOUS TO INVESTORS IN CURRENT BORROWERS' MARKET) COULD
SOMEHOW BE SEPARATED FROM THOSE EAST GERMANS GET ON THE
LONDON MARKET, SINCE THE LONDON AND ARAB MARKETS INTERACT
CLOSELY.

3. KIIC MANAGER SAW NO POLITICAL SIGNIFICANCE IN THE

LOAN, THE FIRST ALL-ARAB LOAN TO EAST GERMANY. HE
OBSERVED THAT EAST GERMANS HAD INVITED VARIOUS PARTICI-
PANTS TO ATTEND SIGNING CEREMONY IN EAST BERLIN, BUT ONLY
ONE ARAB HAD GONE TO EAST BERLIN, THE REST SIMPLY MAILING
THEIR AGREEMENTS. MANAGER, A PALESTINIAN, TOLD US HE HAD
VISITED EAST BERLIN FOR FIRST TIME TO SET UP LOAN AND
FOUND PLACE "UNIFORMLY DREARY AND OPPRESIVE",
REASON WHY HE, AND HE ASSUMED OTHER PARTICIPANTS, DID
NOT ATTEND SIGNING CEREMONY.
SUTHERLAND

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Message Attributes

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